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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday April 27, 1977

CG NIDC 77-97C

NATIONAL SECURITY INFORMATION

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DIA review(s) completed.

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National Intelligence Daily Cable for Wednesday, April 27, 1977.

The NID Cable is for the purpose of informing senior US officials.

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ETHIOPIA: Deadline Extended

25X1 [] //The Ethiopian government's decision to extend today's deadline for the departure of US citizens to Saturday reflects its apparent desire to facilitate a smooth and orderly withdrawal.//

25X1 [] //Foreign Minister Feleke told the US charge yesterday that the new deadline would apply to all affected US citizens in Addis Ababa and Asmara and that US belongings could be loaded until that time. The US consulate in Asmara reports that conflicts with customs officials have eased and that inspection of US personal effects is now only cursory.//

25X1 [] US military personnel have been able to re-enter the Kagnew communications station at Asmara, and Ethiopian officials have permitted them to remove some sensitive equipment. US officials have dispersed much of the remaining sensitive equipment or rendered it useless.

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[REDACTED] //US citizens continue to leave Addis Ababa, and most of the approximately 50 US officials and dependents in Asmara are scheduled to depart this morning. The 13 private US citizens in the Asmara area have declined the offer of evacuation, but some will probably depart within a month or so.//

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[REDACTED] Eritrean insurgents fired intermittently on a military camp near the Asmara airport for a few hours on Sunday. The airport is to be used to evacuate US citizens.

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[REDACTED] //The insurgent attack--the first on the airport area in several months--was probably not related to the Americans' departure. The insurgents have generally avoided harassing US citizens over the past year.//

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[REDACTED] //The insurgents are capable of creating an incident in Asmara, however. The Ethiopian government appears inclined to safeguard the US citizens, but it could become preoccupied with new threats of mutiny from a unit about 120 miles from Asmara.// [REDACTED]

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SOUTH KOREA: US Troop Reductions

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[REDACTED] *South Korean President Pak has shifted his public position on US troop reductions in recent weeks from emphasizing how South Korea can "go it alone," if necessary, to pointing to the need for continuing US support. The shift suggests that Pak recognizes he had moved too far ahead of public opinion in South Korea, where opposition to US troop reductions remains widespread. //The South Koreans reportedly will increase military spending and improve their defensive capabilities.//*

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[REDACTED] In a recent news interview in Seoul, Pak said he would not ask the US to keep its forces in South Korea, but he made it clear that he would prefer them to stay as a deterrent to the North Koreans. Pak added that he believes US forces in Korea are important to overall US strategy in the region. Pak's remarks were reported widely in the South Korean press.

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[REDACTED] Last month Pak and other government officials began a campaign to build confidence in South Korea and to calm those who are uneasy about possible US troop reductions. Pak said

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then that the South Korean people could meet any challenge from the North over the next several years and that US troop withdrawals would provide an opportunity to achieve greater independence and self-reliance.

25X1 [] The government also organized tours of defense industries for leading businessmen and opinion leaders to demonstrate that the country is already on the way to greater military self-sufficiency.

25X1 [] Pak now apparently recognizes that the confidence-building campaign was meeting with some skepticism. The South Korean press has pointed out the risks inherent in any US troop reductions, and the US mission in Seoul reports that a broad spectrum of South Koreans have serious misgivings about the issue.

25X1 [] The President's more cautious approach may be more credible to the public, but it does not solve his basic problem of maintaining South Korean morale during the US troop reduction process. It seems likely that in the coming months Pak will return periodically to confidence-building themes as well as statements of concern about US policy.

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25X1 [] //The South Koreans are already taking steps to line up funds for the defense industry. Part of the capital secured by Deputy Prime Minister Nam during his recent West European tour reportedly will be channeled into defense. Funds obtained for the machinery industry--which is receiving top priority in the five year plan--may be used for production of military equipment.//

25X1 [] //The recent upturn in the South Korean economy and the dramatic improvement in the balance of payments may enable Seoul to increase defense spending somewhat above present projections. The South Koreans will be constrained, however, by massive foreign capital requirements to repay existing foreign debts and finance economic development.//

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25X1 [] //South Korea's annual debt service payments will increase from \$1.4 billion this year to \$2.6 billion in 1981. A substantial increase in defense spending, moreover, could generate apprehensions among foreign lenders and investors.//

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USSR-ISRAEL: Balanced Approach

25X1 [] *The USSR is trying to suggest to Israel that it will take a more balanced approach to a settlement in the Middle East. Soviet-Israeli contacts thus far do not suggest a possible renewal of diplomatic relations, which were broken in the wake of the war of June 1967, but rather a Soviet effort to improve its role as a possible intermediary in the area.*

25X1 [] The Soviets in recent days have taken two unprecedented steps presumably designed to stimulate Israeli hopes that the USSR will change its position on sensitive Arab-Israeli issues. Late last week, Soviet military officers assigned to the UN peacekeeping forces in Egypt entered Israel to visit UN offices in Jerusalem for the first time since the Six-Day War. The Soviets refused an offer to meet with Israeli counterparts, but the visit could lead to additional trips by Soviet officers stationed in Egypt.

25X1 [] Yesterday [] the Soviets proposed the establishment of commercial ties between a major Soviet export firm and Israeli merchants. The USSR has long been interested in creating low-level, unofficial contacts with Israel that would have little real impact on their relations with the Arabs. The Israelis, however, have been leery of any steps short of restoring full diplomatic relations.

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25X1 [] These initiatives follow General Secretary Brezhnev's remarks on the Middle East in his speech to the Soviet trade union congress last month. Brezhnev did not mention the Palestine Liberation Organization and did not attack Israel. Some Israeli officials were pleased that Brezhnev spoke only of "preliminary" Soviet ideas that Moscow was "not imposing on anyone."

25X1 [] His remarks were calculated to suggest that the Soviets could play a constructive role in future Middle East

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settlement talks and to offer an alternative to President Carter's statements on the Middle East at the UN four days earlier.

25X1 [] Despite these signals, the Soviets do not appear to be ready to welcome the reopening of an Israeli embassy in the USSR. Victor Louis, the unofficial Soviet spokesman, has privately observed that the present system of contacts offers advantages for both sides.

25X1 [] Louis said that an Israeli presence in Moscow would become a focal point for dissidents and demonstrations and would assume a special role with regard to Soviet and world Jewry. Louis stressed that the Soviets would require strong guarantees of acceptable Israeli behavior.

25X1 [] Thus far, the Israelis have shown no sign that they are persuaded that the Soviets have changed their pro-Arab policy. The Israelis presumably believe, however, that any contacts with Moscow could complicate Soviet-Arab relations by spreading distrust among the Arabs of the degree and duration of Soviet support. These approaches will therefore continue, but Tel Aviv wants Moscow to earn its way back into Israel.

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ZAIRE: Situation Report

25X1 [] //Zairian President Mobutu flew yesterday to the Shaba town of Mutshatsha, which was retaken by government forces Monday after a month in the hands of the invading Katangans. Despite this evidence of an improved situation, upper-class Shabans view the Mobutu government, not the invasion, as Zaire's main problem.//

25X1 [] The visit symbolized the continuing progress by Zairian and Moroccan units into the southwestern corner of Shaba Region held by the antigovernment Katangans. Government spokesmen are beginning to speak--perhaps prematurely--of soon retaking Dilolo, through which the Katangans invaded Shaba.

25X1 [] The government's military effort along the Kolwezi-Dilolo axis has been hampered more by muddy roads than by Katangan fire, according to the US embassy. The Katangans are losing ground, but the embassy notes that it is still too early to determine whether the invaders intend to:

--Melt into the countryside to maintain a low-level insurgency.

--Pull back across the Angolan border until the Moroccans leave.

--Retreat toward the border to stretch out Mobutu's forces before striking again, perhaps with Angolan and Cuban assistance.

25X1 [redacted] We doubt that the Katangans will expend their resources by making a stand against the Zairian-Moroccan forces. We do not expect Angolan or Cuban military units to enter the fighting as long as it is confined to the Zairian side of the border.

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25X1 [redacted] The International Monetary Fund approved a standby agreement with Zaire yesterday, making the country eligible for \$84 million in loans over the next year provided Kinshasa can meet strict ceilings on government expenditures, credit expansion, and foreign borrowing. Zaire is certain to have difficulty in meeting these terms as the costs of the Shaba war increase.

25X1 [redacted] Initially, Zaire can draw down \$38 million of the loans. An IMF review of the country's economic performance in September will determine Kinshasa's eligibility to receive an additional \$29 million. Even with the IMF loans, Zaire will be forced to seek additional foreign assistance and debt relief to help meet a projected balance-of-payments deficit of over \$300 million.

25X1 [redacted] //Mobutu flew to Mutshatsha from the Shaban capital of Lubumbashi, after his first visit there since the invasion began seven weeks ago. The polite and occasionally enthusiastic public reception accorded him by Shabans assigned to

line the road from the airport contrasted somewhat with the private attitudes toward the President reported earlier by the US consulate in Lubumbashi.//

25X1 [] //Upper-class Zairians in Shaba view the recent developments there from an entirely different perspective than the government in Kinshasa, the consulate reports. Zairian business managers, lawyers, and other members of the nongovernment elite share the view that the invasion is merely an incident; they see the real crisis as Zaire's economic and political deterioration under Mobutu.//

25X1 [] //These Zairians, some native to other parts of the country, identify the invaders as Katangans and other Zairian exiles, not members of a Soviet- and Cuban-supported mercenary force. They see no communist ideological threat to Zaire in the invasion, believing that Zairian preferences rule out communism. Members of this elite privately express varying degrees of support for the Katangans as an anti-Mobutu force, and none condemned the invaders.//

25X1 [] //The influential and wealthy Zairians point to the disastrous state of the country's economy, the collapse of agriculture, the wretched state of the military and its continual harassment of civilians, and the massive corruption among government officials. They blame Mobutu and his government for the magnitude of the problems and see no hope of improvement as long as he is in charge.//

25X1 [] //The Zairians tend to view the US as the "West" and feel--nearly 17 years after independence--that Zaire remains a responsibility of the West. They see the US as sponsoring, or at least agreeing to, any Western action involving Zaire, such as the French transport of equipment for Moroccan forces aiding Mobutu.//

25X1 [] //Because of their premise of Western paternalism, they see the failure of Zaire over the past dozen years as partly a failure of the West's approach--in their opinion, US aid has served to line the pockets of corrupt politicians and US investment has been oriented toward prestige projects instead of national development.//

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[REDACTED] //Over the longer term, members of the elite hope that US aid can be tied to specific projects and closely monitored by US--not Zairian--personnel. More immediately, they hope the US will do what it can to force change in the Zairian government leadership.//

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[REDACTED] /Despite some chagrin over US support for the Mobutu government in the current situation, the Zairians see the US as Zaire's most important friend. They despair of the ability of Zairians such as themselves to influence Mobutu's policies; they look to the West and the US to bring about change.//

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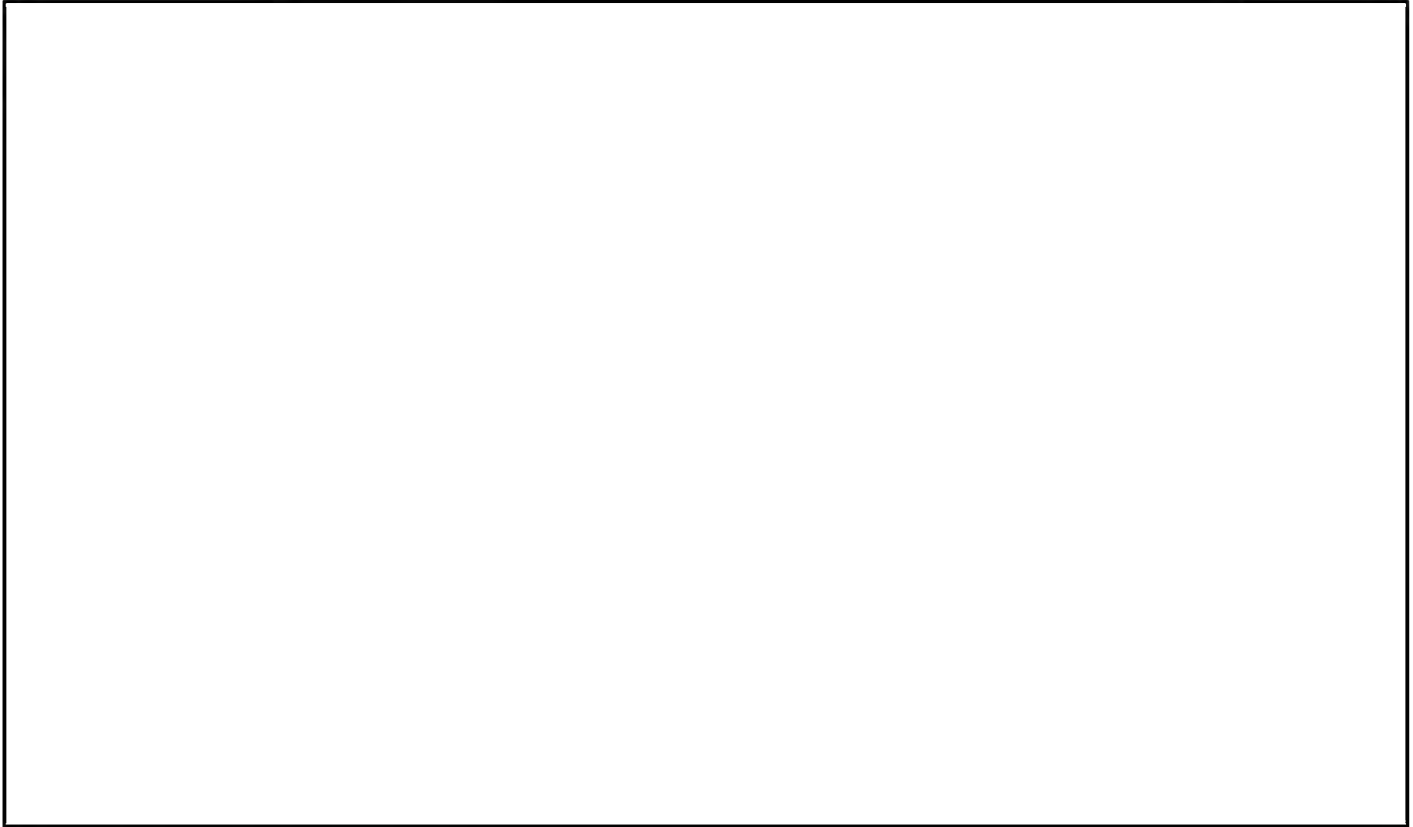
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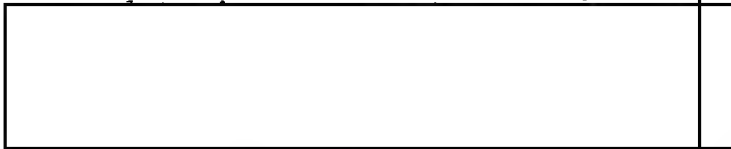


PAKISTAN: Bhutto's Negotiations

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 //The results of Prime Minister Bhutto's latest effort to negotiate a solution to Pakistan's current crisis could have a significant impact on the military's willingness to continue supporting him.

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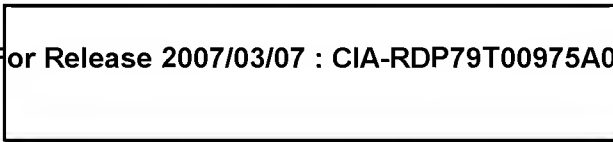


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 Bhutto has apparently brought many of the jailed senior leaders of the opposition alliance--possibly excluding former air force commander Asghar Khan--to the capital to talk with him. Asghar earlier refused to leave his cell unless Bhutto gave in to his demands, and Bhutto may well not have wanted

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Asghar at any meeting. Asghar is the most likely of the opposition leaders to oppose a compromise. According to press reports, Bhutto has met with at least one opposition spokesman; the party leaders reportedly are now considering the Prime Minister's latest offer.

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25X1 [redacted] With the most troublesome cities under curfew and the opposition concentrating on a major demonstration next Saturday, Pakistan has been fairly calm so far this week, and curfews are being relaxed. [redacted]

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USSR: Comment on Energy Study

25X1 [redacted] *A Soviet expert on energy economics, M. A. Styrikovich, commented on CIA's forecast of a sharp decline in Soviet oil production by the mid-1980s when a US embassy officer recently called it to his attention. Styrikovich said that the Soviets would be able to increase production for an extended period of time.*

25X1 [redacted] The Soviet expert said that the USSR is indeed running out of oil that is cheap to produce and that the price will have to rise. He asserted, however, that the Soviets

should be able to maintain an export capacity well into the future, through increased oil exploration, tertiary recovery, and an emphasis on conservation and alternative sources for domestic use.

25X1 [] The most important of these measures, according to Styrikovich, will be tertiary recovery. He asserts that tertiary recovery methods will raise the amount of oil that can be recovered from a deposit from the present 35 percent to 70 percent. We do not consider such an increase possible.

25X1 [] Actual Soviet recovery rates are closer to 25 percent than to the 35 percent claimed. Current rates of recovery in the US--the world's most technically advanced oil producer--are only about 33 percent, and even marginal improvements are expensive and technologically difficult. [] 25X1

LONDON ECONOMIC SUMMIT: French Views

25X1 [] *//This is the second in a series of articles examining the different points of view of the major developed countries participating in the London Economic Summit on May 7 and 8.//*

25X1 [] *//The French attitude at the summit will be affected--as is all French political activity now--by maneuvering for position before the crucial legislative election next March. Because President Giscard is under fire from both the left and the right, he will try to gain some personal political capital from the meetings, and will seek to avoid the impression that he is bowing to the US. The Socialist-Communist alliance has a good chance of winning a majority in 1978, and the Giscard coalition's hopes for retaining power depend largely on the attitude of the Gaullists, who see him as ineffective and too pro-US.//*

25X1 [] *//While a favorable decision on New York landing rights for the Concorde airliner would brighten the mood of the French, it would not change the outcome of any of the discussions in London. A negative decision would put Giscard under strong pressure to react and would harden French positions at the talks.//*

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[REDACTED] //The French probably will encourage the US, West Germany, and Japan to take the lead in fostering global economic expansion and will seek a commitment that these countries will achieve at least the growth rates forecast for them in 1977. The French want West Germany in particular to expand its economy, for West Germany is a far more important customer for France than either Japan or the US.//

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[REDACTED] /Both left- and right-wing parties believe economic considerations will be a key factor in the voting next year. At present, the voters seem most concerned about inflation, but worries about unemployment are rising. Prime Minister Barre's stabilization plan is being continued but was supplemented yesterday with selective measures aimed at reducing unemployment.//

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[REDACTED] //French views on balance-of-payments financing should not conflict with those of the US. In particular, the proposed provision of additional funds for balance-of-payments support through the International Monetary Fund would contribute to French goals of stabilizing exchange rates and forestalling additional protectionist measures by deficit countries. The Gaullists, however, have reacted strongly against the proposal.//

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[REDACTED] /Paris probably will be reluctant to make commitments to liberalize trade further. In part, the French feel victimized by the Concorde affair, which they see as an example of US protectionism. More important, protectionist pressure is increasing within the French government as it seeks to deal with unemployment.//

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[REDACTED] //The French probably will oppose setting ambitious targets for the Multilateral Trade Negotiations, such as bettering the Kennedy Round results. Paris never really approved the current trade round; the French believe that the international monetary system should be stabilized before further tariff cuts are made. The French argue that it is foolish to wrangle over tariff cuts of a few percent when exchange rates can fluctuate widely. They feel some countries have deliberately allowed their currencies to depreciate to gain a competitive advantage--a practice they have dubbed "monetary dumping."//

25X1 [] //Paris also may be leery of liberalizing grain trade, because it views liberal trade of this commodity as an implied threat to the EC's Common Agricultural Policy. The French should approve the idea of stabilizing grain prices, partly by establishing an international reserve system. They might push for a US commitment to eliminate the American Selling Price System.//

25X1 [] //The subject of energy offers potential for both agreement and conflict. The French will applaud the new US energy program but may object to any suggestion that France should match the US effort to reduce dependence on imported oil. The French feel that the US has lagged badly in this area and probably would resent the US setting itself up as the model for others.//

25X1 [] //Discussion of nuclear energy issues obviously could result in disagreement. While Giscard is far more concerned about the dangers of proliferation than other French leaders have been--and has banned further exports of reprocessing facilities--he also has vigorously asserted that France will make its own decisions in this area. The French thus are likely to be wary of suggestions that there be international consultations on nuclear energy, and would view them as a potential threat of foreign interference in France's ambitious nuclear program, especially its fast breeder reactor development.//

25X1 [] //France and the US should generally agree on North-South issues, although France will continue its long-standing efforts to maintain a special relationship with the less developed countries. France now intends to increase the volume of its aid and thus is likely to encourage others to do the same. As in the past, the French will push strongly for agreements to stabilize prices of important commodities, but they do not want a common fund to be any more than a pooling of the monies needed to operate the individual buffer stocks.

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FRANCE: New Economic Measures

25X1 [] *France yesterday announced a modest \$660-million package of economic measures aimed at helping those hardest hit by the country's economic problems.* []

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[REDACTED]

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[REDACTED] The principal goal of the newly announced package is to check the rise in unemployment--up 8 percent since December--through selective actions that will not undermine the overall restrictive impact of the Barre plan. This program--now in its seventh month--apparently is beginning to slow the rate of inflation.

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[REDACTED] The new package also includes several provisions to improve the lot of lower income groups. One of the most important measures is a substantial boost in the basic monthly retirement pension. The program also provides incentives for corporations to hire young workers and for foreign workers to return home.

[REDACTED]

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FTAI: French Military Remaining

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[REDACTED] //Most French military forces now based in the Territory of the Afars and Issas reportedly will remain at least until this fall after the territory obtains its independence. The French decision to stay depends on reaching a formal agreement with leaders of the territory following elections next month.//

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[REDACTED] //French forces will be used to train the new state's security forces and, if asked, to help defend against a foreign attack. The French believe their continued presence in the territory will provide stability to the region, especially in the critical months following independence.//

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[REDACTED] //A senior French military officer recently told the US defense attache in Paris that the Defense Ministry expects to keep 4,000 to 4,500 men of the 6,000-man force in the country, possibly for an indefinite period. Some 500 native troops now serving in French units will be released from service and encouraged to join the new national defense force.//

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[REDACTED] //According to the French plan, the ground forces will continue to include a light armored unit, a foreign legion battalion, and an artillery detachment. The air force will keep its squadron of F-100 jet fighters, its helicopters, and several military transport aircraft at Djibouti airfield.//

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[REDACTED] //The source gave no details on French plans for their naval facility at Djibouti, but the navy apparently plans to keep at least two small ships there. In the past, France has maintained a sizable naval contingent--including major warships--at Djibouti, its only remaining naval base in the Indian Ocean. A number of recent reports, however, indicate the navy plans to reduce significantly its use of these facilities.//

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[REDACTED] //The French are already helping to train defense forces for the state, and have brought some officer candidates to France. The French expect the territory's military forces will eventually number about 3,000 men, most of whom will be in police or paramilitary units. [REDACTED]

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CUBA-US: Commercial Relations

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[REDACTED] //The 1977 Cuban sugar harvest appears fully committed, severely limiting the potential for Cuban-US trade this year if commercial relations are restored. Cuba nonetheless will continue to seek an easing of the US embargo to permit future sugar sales to the US. This is crucial to Cuba's long-term development plans, which rely heavily on expansion of sugar output.//

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[REDACTED] Cuba's immediate stake in the restoration of trade with the US is limited because of the small 1977 trade potential. In the coming months, therefore, the Castro government is likely to continue to demand that the US lift its embargo at least partially as a precondition to substantive discussions

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on issues such as compensation for nationalized US properties, human rights, and Cuban intervention in Angola and other countries.

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[] //The 1977 sugar harvest, hampered by drought in the growing season and heavy rains during early stages of the harvest, should roughly match last year's level of about 6 million tons. Export demand, however, is likely to rise sharply; Cuba will increase deliveries to the USSR to supplement the poor Soviet crop. Cuba will deliver an estimated 3.6 million tons to the USSR, 1 million tons to other communist countries, and at least 1 million tons to Western trading partners.//

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[] //Cuba will have to draw down inventories to meet existing export commitments and domestic demand. At best, it will have only some 250,000 to 350,000 tons in stocks available for sale to the US this year.//

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[] If the embargo were lifted, total Cuban exports to the US in 1977 probably would not exceed \$50 to \$75 million in value because of limited supplies of sugar and other export items such as nickel, tobacco, and shellfish. Cuban imports would have about the same value, given Cuba's serious hard currency shortage.

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[] Earnings from US tourists or any possible extensions of US credits probably would not add significantly to Cuba's ability to increase imports this year. Tourist revenues would be small, and Havana could not easily absorb US credits because of its already high debt service burden.

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[] Cuban purchases would be largely limited to rice, other small grains, and agricultural machinery and inputs. Wheat and flour imports would depend on a decision by the USSR--which now obtains these items from Canada for re-export to Cuba--to shift purchases to the US. []

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EL SALVADOR: Kidnaping Report

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[] *The Salvadoran government still has not formally responded to the demand by the kidnapers of Foreign Minister Borgonovo that it release 37 political prisoners. The terrorists,*

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who have held Borgonovo for a week, allegedly warned in a telephone call that they will "execute" the foreign minister today if the government does not release at least some of the prisoners.

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[REDACTED] //President Molina told the diplomatic corps last week that it was impossible to comply with the terrorists' demands because the government was holding only three of the prisoners. There is widespread and probably accurate speculation that several of the prisoners were killed while in custody. Three others on the list had already been released and have publicly announced this fact.//

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[REDACTED] The government is under pressure to negotiate. The foreign minister's family--one of the wealthiest in El Salvador--has visited other Central American capitals to seek their intercession. Nicaraguan President Somoza has already urged Molina to meet the terrorists' demands, and Costa Rican Foreign Minister Facio has offered to negotiate with the kidnapers. Several Salvadoran groups have made appeals on behalf of the highly regarded foreign minister.

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[REDACTED] //Several Salvadoran officials have stated that it is possible the government will negotiate with the kidnapers, but the government thus far has limited itself to encouraging the minister's family to contact the terrorists to effect a financial settlement. Although the government has extended the state of siege for another month, it has acted with restraint to avoid jeopardizing the minister's life.// [REDACTED]

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